

Charter Township of Bedford, Calhoun County, Michigan

**Financial Report
with Supplemental Information
December 31, 2007**

Charter Township of Bedford, Michigan

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Independent Auditor's Report

To the Township Board Members
Charter Township of Bedford, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charter Township of Bedford, Michigan as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Bedford, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not capitalized or depreciated capital assets of the Sewer Enterprise Fund acquired prior to January 1, 1990. Accounting principles generally accepted in the United States of America require that all capital assets used by the Sewer Fund be recorded as depreciated over their useful lives. The amount by which this departure would affect the assets, net assets, and current year expenses of the Sewer Enterprise Fund and the business-type activities in the government-wide financial statements cannot be determined.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements of the Proprietary Sewer Enterprise Fund and the business-type activities in the government-wide financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the business-type activities and the Sewer Enterprise Fund of Charter Township of Bedford, Michigan as of December 31, 2007 and the respective changes in financial position and cash flows thereof for the year then ended.

In addition, in our opinion, except for the effects of not recording the sewer capital assets as described above, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the major governmental fund, and the aggregate remaining fund information of Charter Township of Bedford, Michigan as of December 31, 2007 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Township Board Members
Charter Township of Bedford, Michigan

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charter Township of Bedford, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

June 13, 2008

Charter Township of Bedford, Michigan

Management's Discussion and Analysis

Our discussion and analysis of Charter Township of Bedford, Michigan's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2007:

- Total net assets related to the Township's governmental activities decreased by approximately \$24,000. The unrestricted portion of net assets decreased by approximately \$290,000.
- The Township made its fourth of five payments on the fire equipment installment loan during the year.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Charter Township of Bedford, Michigan

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets:						
Current assets	\$ 1,329,538	\$ 1,514,819	\$ 686,224	\$ 813,924	\$ 2,015,762	\$ 2,328,743
Noncurrent assets	1,334,913	1,403,444	1,998,587	2,057,384	3,333,500	3,460,828
Total assets	2,664,451	2,918,263	2,684,811	2,871,308	5,349,262	5,789,571
Liabilities:						
Current liabilities	1,167,367	1,208,896	172,600	169,250	1,339,967	1,378,146
Long-term liabilities	743	189,019	350,000	520,000	350,743	709,019
Total liabilities	1,168,110	1,397,915	522,600	689,250	1,690,710	2,087,165
Net assets:						
Invested in capital assets -						
Net of related debt	1,146,662	1,032,585	1,478,587	1,372,384	2,625,249	2,404,969
Restricted	656,761	504,776	-	-	656,761	504,776
Unrestricted	(307,082)	(17,013)	683,624	809,674	376,542	792,661
Total net assets	<u>\$ 1,496,341</u>	<u>\$ 1,520,348</u>	<u>\$ 2,162,211</u>	<u>\$ 2,182,058</u>	<u>\$ 3,658,552</u>	<u>\$ 3,702,406</u>

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations. The current level of unrestricted net assets for our governmental activities stands at a deficit of approximately \$307,000.

Charter Township of Bedford, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current year and as compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue - Charges for services	\$ 75,509	\$ 75,356	\$ 203,690	\$ 219,868	\$ 279,199	\$ 295,224
General revenue:						
Property taxes	933,505	887,470	-	-	933,505	887,470
State-shared revenue	712,299	722,199	-	-	712,299	722,199
Unrestricted investment earnings	53,104	35,938	28,675	30,995	81,779	66,933
Franchise fees	47,933	56,660	-	-	47,933	56,660
Miscellaneous	20,526	12,412	-	-	20,526	12,412
Total revenue	1,842,876	1,790,035	232,365	250,863	2,075,241	2,040,898
Program Expenses						
General government	801,353	788,099	-	-	801,353	788,099
Public safety	1,054,071	1,014,024	-	-	1,054,071	1,014,024
Interest on long-term debt	11,459	16,933	-	-	11,459	16,933
Sewer	-	-	252,212	253,718	252,212	253,718
Total program expenses	1,866,883	1,819,056	252,212	253,718	2,119,095	2,072,774
Change in Net Assets	\$ (24,007)	\$ (29,021)	\$ (19,847)	\$ (2,855)	\$ (43,854)	\$ (31,876)

Governmental Activities

The Township's total governmental revenue increased by approximately \$53,000 (3 percent), primarily due to an increase in property tax revenue.

Expenses included in the governmental activities increased approximately \$48,000 (3 percent), primarily due to an increase in contracted police services of approximately \$55,000.

Business-type Activities

The Township's business-type activities consist of the Sewer Fund. We provide sewer treatment services to residents through a contract with the City of Battle Creek. Expenses related to the contract with the City of Battle Creek increased approximately \$4,100 from 2006, representing approximately a 2.3 percent increase. However, interest expense decreased approximately \$5,000 from 2006; therefore, total expenses decreased less than 1 percent. Revenue relating to the contract sewer services decreased approximately \$3,700 from 2006, representing approximately a 2.1 percent decrease. Also contributing to the decrease in revenues was a decrease in sewer hook up fees from 2006 of approximately \$9,000, which was a one-time fee in 2006.

Charter Township of Bedford, Michigan

Management's Discussion and Analysis (Continued)

The Township's Funds

Our analysis of the Township's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, rather than the Township as a whole. This fund perspective is presented on a modified accrual basis, to better demonstrate accountability for the resources provided during the year and how they were spent.

The General Fund pays for most of the Township's governmental services. Below is a four-year summary of General Fund operations:

	2004	2005	2006	2007
Revenue				
Property taxes	\$ 794,131	\$ 843,020	\$ 887,470	\$ 933,505
Licenses and permits	96,382	75,281	112,900	94,929
State-shared revenues	728,114	735,647	722,199	712,299
Charges for services	18,345	18,285	19,116	16,662
Interest earned	(4,633)	21,393	34,869	52,652
Other	19,125	22,736	12,412	20,526
Total revenue	1,651,464	1,716,362	1,788,966	1,830,573
Expenditures				
Township board	315,078	288,777	305,294	298,779
Administration (Supervisor, clerk, treasurer, assessing, board of review)	349,374	373,325	382,243	402,635
Other general government (building and grounds, cemetery, elections)	179,239	182,786	211,682	208,546
Public safety:				
Police	651,757	703,402	759,160	814,101
Fire	131,538	130,511	146,935	126,910
Building inspection	61,286	66,768	48,054	53,185
Street lighting	56,208	51,078	62,936	63,283
Planning	929	1,621	1,623	891
Parks	12,063	13,929	12,912	13,628
Total expenditures	1,757,472	1,812,197	1,930,839	1,981,958
Shortfall	(106,008)	(95,835)	(141,873)	(151,385)
Fund Balance				
Beginning of year	807,009	701,001	605,166	463,293
End of year	<u>\$ 701,001</u>	<u>\$ 605,166</u>	<u>\$ 463,293</u>	<u>\$ 311,908</u>

Charter Township of Bedford, Michigan

Management's Discussion and Analysis (Continued)

As is shown, the General Fund's financial position has deteriorated over the last several years. It should also be noted that the General Fund includes a special voted property tax millage that is legally required to be used to pay for fire vehicles and equipment. This 1.75 mill levy is accumulating funds that will be spent in the future on fire vehicles and equipment. In the meantime, these funds may not be used for any other purpose. As a result, the amount of property taxes earned but not yet spent is reported as reserved fund balance. The remaining portion of fund balance is referred to as unreserved fund balance and is the key measure of the General Fund's short-term financial health. Below is a four-year trend in the unreserved fund balance (deficit):

	2004	2005	2006	2007
Total fund balance	\$ 701,001	\$ 605,166	\$ 463,293	\$ 311,908
Reserved for fire vehicles and equipment	<u>339,102</u>	<u>395,742</u>	<u>504,776</u>	<u>625,641</u>
Unreserved	<u><u>\$ 361,899</u></u>	<u><u>\$ 209,424</u></u>	<u><u>\$ (41,483)</u></u>	<u><u>\$ (313,733)</u></u>

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant change was to decrease the estimated board expenditures to account for the actual amount paid for debt service on the fire truck debt. Overall, Township departments stayed below budget, resulting in total expenditures \$18,042 below budget. Total revenues were lower than anticipated revenues by \$55,365, primarily due to the budgeted amount of state-shared revenue being approximately \$62,700 higher than the amount actually received during the year. The General Fund's fund balance decreased from \$463,293 at December 31, 2006 to \$311,908 at December 31, 2007.

Capital Asset and Debt Administration

There were no capital expenditures during 2007 in either the General Fund or the Sewer Fund.

Economic Factors and Next Year's Budgets and Rates

The Township is focused on controlling expenditures for the coming year due to the uncertainty of the state-shared revenue funding sources.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Charter Township of Bedford, Michigan

Statement of Net Assets December 31, 2007

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and investments (Note 3)	\$ 997,864	\$ 382,605	\$ 1,380,469
Receivables - Net (Note 4)	310,895	314,140	625,035
Internal balances	10,521	(10,521)	-
Prepaid costs and other assets	10,258	-	10,258
Capital assets - Net (Note 5):			
Assets not being depreciated	37,463	-	37,463
Depreciated assets	1,297,450	1,998,587	3,296,037
Total assets	2,664,451	2,684,811	5,349,262
Liabilities			
Accounts payable	461,041	-	461,041
Accrued and other liabilities	-	2,600	2,600
Deferred revenue (Note 4)	513,618	-	513,618
Noncurrent liabilities:			
Due within one year (Note 7)	188,251	170,000	358,251
Due in more than one year (Note 7)	-	350,000	350,000
Compensated absences:			
Due within one year	4,457	-	4,457
Due in more than one year	743	-	743
Total liabilities	1,168,110	522,600	1,690,710
Net Assets			
Invested in capital assets - Net of related debt	1,146,662	1,478,587	2,625,249
Restricted:			
Fire vehicle and equipment acquisition and maintenance	625,641	-	625,641
Cemetery	31,120	-	31,120
Unrestricted	(307,082)	683,624	376,542
Total net assets	<u>\$ 1,496,341</u>	<u>\$ 2,162,211</u>	<u>\$ 3,658,552</u>

Charter Township of Bedford, Michigan

Statement of Activities Year Ended December 31, 2007

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Primary Government		
			Governmental Activities	Business-type Activities	Total
Primary government:					
Governmental activities:					
General government	\$ 801,353	\$ 22,810	\$ (778,543)	\$ -	\$ (778,543)
Public safety	1,054,071	52,699	(1,001,372)	-	(1,001,372)
Interest on long-term debt	11,459	-	(11,459)	-	(11,459)
Total governmental activities	1,866,883	75,509	(1,791,374)	-	(1,791,374)
Business-type activities - Sewer	252,212	203,690	-	(48,522)	(48,522)
Total primary government	\$ 2,119,095	\$ 279,199	(1,791,374)	(48,522)	(1,839,896)
General revenues:					
Property taxes			933,505	-	933,505
State-shared revenues			712,299	-	712,299
Unrestricted investment earnings			53,104	28,675	81,779
Franchise fees			47,933	-	47,933
Miscellaneous			20,526	-	20,526
Total general revenues			1,767,367	28,675	1,796,042
Change in Net Assets			(24,007)	(19,847)	(43,854)
Net Assets - Beginning of year			1,520,348	2,182,058	3,702,406
Net Assets - End of year			\$ 1,496,341	\$ 2,162,211	\$ 3,658,552

Charter Township of Bedford, Michigan

Governmental Funds Balance Sheet December 31, 2007

	General Fund	Nonmajor Special Revenue Fund - Cemetery Fund	Total Governmental Funds
Assets			
Cash and investments	\$ 966,744	\$ 31,120	\$ 997,864
Receivables - Net	299,044	-	299,044
Due from other funds	10,521	-	10,521
Prepaid costs and other assets	10,258	-	10,258
Total assets	<u>\$ 1,286,567</u>	<u>\$ 31,120</u>	<u>\$ 1,317,687</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 461,041	\$ -	\$ 461,041
Deferred revenue	513,618	-	513,618
Total liabilities	974,659	-	974,659
Fund Balances			
Reserved (Note 8)	625,641	31,120	656,761
Unreserved deficit	(313,733)	-	(313,733)
Total fund balances	311,908	31,120	343,028
Total liabilities and fund balances	<u>\$ 1,286,567</u>	<u>\$ 31,120</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds			1,334,913
Accounts receivable for cable franchise fees is collected after 60 days of year end			11,851
Long-term liabilities are not due and payable in the current period and are not reported in the funds			(193,451)
Net assets of governmental activities			<u>\$ 1,496,341</u>

Charter Township of Bedford, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2007

	General Fund	Nonmajor Special Revenue Fund - Cemetery Fund	Total Governmental Funds
Revenue			
Property taxes	\$ 933,505	\$ -	\$ 933,505
Licenses and permits	94,929	-	94,929
State-shared revenues	712,299	-	712,299
Charges for services	16,662	-	16,662
Interest earned	52,652	452	53,104
Other	20,526	-	20,526
Total revenue	1,830,573	452	1,831,025
Expenditures - Current			
General government	987,762	-	987,762
Public safety	994,196	-	994,196
Total expenditures	1,981,958	-	1,981,958
Excess of Revenue Over (Under) Expenditures	(151,385)	452	(150,933)
Fund Balances - Beginning of year	463,293	30,668	493,961
Fund Balances - End of year	<u>\$ 311,908</u>	<u>\$ 31,120</u>	<u>\$ 343,028</u>

Charter Township of Bedford, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2007

Net Change in Fund Balances - Total Governmental Funds \$ (150,933)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation (68,531)

Change in compensated absences 998

Cable franchise fees are recorded in the statement of activities when the fees are earned; they are not reported in the funds until collected or collectible within 60 days of year end 11,851

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 182,608

Change in Net Assets of Governmental Activities \$ (24,007)

Charter Township of Bedford, Michigan

Proprietary Funds Statement of Net Assets December 31, 2007

	Enterprise - Sewer
Assets	
Current assets:	
Cash and cash equivalents	\$ 382,605
Receivables - Net	<u>314,140</u>
Total current assets	696,745
Noncurrent assets - Capital assets	<u>1,998,587</u>
Total assets	2,695,332
Liabilities	
Current liabilities:	
Accrued and other liabilities	2,600
Due to other funds	10,521
Current portion of long-term debt	<u>170,000</u>
Total current liabilities	183,121
Noncurrent liabilities - Long-term debt - Net of current portion	<u>350,000</u>
Total liabilities	<u>533,121</u>
Net Assets	
Investment in capital assets - Net of related debt	1,478,587
Unrestricted	<u>683,624</u>
Total net assets	<u><u>\$ 2,162,211</u></u>

Charter Township of Bedford, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2007

	Enterprise - Sewer
Operating Revenue - Charges for services	\$ 203,690
Operating Expenses	
Sewer contract - City of Battle Creek	177,073
Legal and professional	2,000
Depreciation and amortization	<u>61,089</u>
Total operating expenses	<u>240,162</u>
Operating Loss	(36,472)
Nonoperating Revenue (Expense)	
Investment income	28,675
Interest expense	<u>(12,050)</u>
Change in Net Assets	(19,847)
Net Assets - Beginning of year	<u>2,182,058</u>
Net Assets - End of year	<u><u>\$ 2,162,211</u></u>

Charter Township of Bedford, Michigan

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2007

	Enterprise - Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 184,052
Payments to suppliers	(180,723)
Internal activity - Payments to other funds	<u>13,451</u>
Net cash provided by operating activities	16,780
Cash Flows from Capital and Related Financing Activities	
Collection of customer assessments (principal and interest)	88,470
Principal and interest paid on capital debt	<u>(177,050)</u>
Net cash used in capital and related financing activities	(88,580)
Cash Flows from Investing Activities - Interest received on investments	<u>19,557</u>
Net Decrease in Cash and Cash Equivalents	(52,243)
Cash and Cash Equivalents - Beginning of year	<u>434,848</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 382,605</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (36,472)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	61,089
Changes in assets and liabilities:	
Receivables	(19,638)
Internal activity	13,451
Accrued and other liabilities	<u>(1,650)</u>
Net cash provided by operating activities	<u><u>\$ 16,780</u></u>

During the year ended December 31, 2007, there were no noncash transactions.

Charter Township of Bedford, Michigan

Fiduciary Funds Statement of Assets and Liabilities December 31, 2007

Assets - Cash and cash equivalents	<u><u>\$ 902,473</u></u>
Liabilities - Due to other governmental units	<u><u>\$ 902,473</u></u>

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Charter Township of Bedford, Michigan (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units with the following exception:

The Sewer Fund is on a full accrual basis and conforms to accounting principles generally accepted in the United States of America except that fixed assets acquired prior to January 1, 1990 have not been capitalized, nor has depreciation been recorded for those assets.

Reporting Entity

The Charter Township of Bedford, Michigan is governed by an elected seven-member board of trustees. As required by accounting principles generally accepted in the United States of America, these financial statements present the Charter Township of Bedford. In accordance with accounting principles accepted in the United States of America, there are no component units to be included in the financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental fund:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Township reports the following major proprietary fund:

Sewer Fund - The Sewer Fund accounts for the activities of the sewage collection system.

Additionally, the Township reports the following fund types:

Special Revenue - The Special Revenue Fund accounts for resources solely dedicated by the board for cemetery use.

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2006 tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended December 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the Township totaled \$169.2 million, on which taxes levied consisted of .8919 mills for operating purposes, 2.0 mills for public safety operations, and 1.75 mills for fire equipment. This resulted in \$155,000 for operating, \$338,000 for public safety equipment, and \$305,000 for fire equipment. These amounts are recognized in the respective General Fund financial statements as tax revenue.

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2007

Note I - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Sewer distribution systems	50 years
Buildings and building improvements	40 to 50 years
Other tools and equipment	3 to 20 years

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2007

Note I - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Compensated Absences (Vacation Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Township does not have a policy to pay any amounts when employees separate from service with the Township. All vacation pay is accrued when incurred in the government-wide and proprietary statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Amortization - Expenses associated with the issuance of the bonds in the Enterprise Funds are being amortized on the straight-line method over the term of the bonds. For the year ended December 31, 2007, amortization totaling \$2,292 has been included in the nonoperating expenses of the Enterprise Funds.

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2007

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at December 31, 2006	\$ (12,103)
Current year building permit revenue	52,699
Construction code expenses:	
Direct costs	49,690
Indirect costs	<u>3,495</u>
Total construction code expenses	<u>53,185</u>
Shortfall at December 31, 2007	<u>\$ (12,589)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2007

Note 3 - Deposits and Investments (Continued)

The Township has designated four banks for the deposit of its funds. The Township's deposits and investment policies are in accordance with statutory authority. The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,109,087 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - The Township does not specifically identify credit risk in the investment policy adopted by the Township. The Township has the following investments with credit risk and the applicable rating:

<u>Investment</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Bank investment pools	\$ 1,371,092	Not rated

Note 4 - Receivables

Receivables as of year end for the Township's individual major funds are as follows:

	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Receivables:			
Property taxes	\$ 173,408	\$ -	\$ 173,408
Accounts	137,487	74,166	211,653
Special assessment	-	232,984	232,984
Interest	-	6,990	6,990
Total receivables	<u>\$ 310,895</u>	<u>\$ 314,140</u>	<u>\$ 625,035</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the General Fund had \$513,618 in deferred revenue for property taxes levied in the current year but unearned at December 31, 2007.

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2007

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2007	Additions	Balance December 31, 2007
Governmental Activities			
Capital assets not being depreciated - Land	\$ 37,463	\$ -	\$ 37,463
Capital assets being depreciated:			
Buildings and improvements	767,054	-	767,054
Other tools and equipment	<u>1,095,223</u>	<u>-</u>	<u>1,095,223</u>
Total	1,862,277	-	1,862,277
Accumulated depreciation:			
Buildings and improvements	159,287	18,714	178,001
Other tools and equipment	<u>337,009</u>	<u>49,817</u>	<u>386,826</u>
Total	<u>496,296</u>	<u>68,531</u>	<u>564,827</u>
Net capital assets being depreciated	<u>1,365,981</u>	<u>(68,531)</u>	<u>1,297,450</u>
Net capital assets	<u>\$ 1,403,444</u>	<u>\$ (68,531)</u>	<u>\$ 1,334,913</u>
Business-type Activities			
Capital assets being depreciated -			
Sewer distribution systems	\$ 2,939,851	\$ -	\$ 2,939,851
Accumulated depreciation -			
Sewer distribution systems	<u>882,467</u>	<u>58,797</u>	<u>941,264</u>
Net capital assets being depreciated	<u>\$ 2,057,384</u>	<u>\$ (58,797)</u>	<u>\$ 1,998,587</u>

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2007

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 8,656
Public safety	<u>59,875</u>

Total governmental activities	<u>\$ 68,531</u>
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Business-type activities - Sewer	<u>\$ 58,797</u>
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Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Sewer Fund	\$ 10,521

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. County contractual agreements and installment purchase agreements are general obligations of the government and pledge the full faith and credit of the Township. The MMBA bonds were issued by the State of Michigan and the proceeds are payable to Calhoun County. Under the contract, the Township is obligated to pay the principal and interest requirements on the bonds.

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2007

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental Activities							
Installment purchase agreement	3.09%	2008	\$ 370,859	\$ -	\$ (182,608)	\$ 188,251	\$ 188,251
Compensated absences			6,198	12,494	(13,492)	5,200	4,457
Total			<u>\$ 377,057</u>	<u>\$ 12,494</u>	<u>\$ (196,100)</u>	<u>\$ 193,451</u>	<u>\$ 192,708</u>
Business-type Activities							
Michigan Municipal Bond Authority, (MMBA), Michigan State Revolving Loan Fund Program, County of Calhoun, Project No. 5015	2.00%	2010	<u>\$ 685,000</u>	<u>\$ -</u>	<u>\$ (165,000)</u>	<u>\$ 520,000</u>	<u>\$ 170,000</u>

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 188,251	\$ 5,817	\$ 194,068	\$ 170,000	\$ 10,400	\$ 180,400
2009	-	-	-	175,000	7,000	182,000
2010	-	-	-	175,000	3,500	178,500
Total	<u>\$ 188,251</u>	<u>\$ 5,817</u>	<u>\$ 194,068</u>	<u>\$ 520,000</u>	<u>\$ 20,900</u>	<u>\$ 540,900</u>

Note 8 - Reserved Fund Equity

Fund balance has been reserved for the following purposes:

Fire vehicle and equipment acquisition and maintenance	\$ 625,641
Cemetery	<u>31,120</u>
Total	<u>\$ 656,761</u>

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2007

Note 9 - Contingencies

Environmental Cleanup - The Township is aware of soil contamination that occurred as the result of an underground storage tank. The Department of Environmental Quality is currently monitoring the site. The Township is currently working with a company specializing in environmental contamination to perform required remediation and monitoring. The ultimate costs to clean up the contamination cannot be determined at this time; therefore, no liability is recorded. Expenditures for the year ended December 31, 2007 were \$40,002.

The liability will be computed differently for fiscal year ending December 31, 2008, using the expected cash flow technique (which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts - the estimated mean or average), as a result of Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

Note 10 - Budget Information

The annual budget is prepared by the Township's supervisor and adopted by the Township's board; subsequent amendments are approved by the Township's board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2007 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The schedule of revenue, expenditures, and changes in fund balance - budget and actual - General Fund is presented on the same basis of accounting used in preparing the adopted budget and is not adopted in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as adopted by the Township board is included in the required supplemental information.

The Township had the following significant budget overrun:

	<u>Budget</u>	<u>Actual</u>
Battle Creek police contract	\$ 736,200	\$ 791,373

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2007

Note 10 - Budget Information (Continued)

Noncompliance - The Township adopted a 2007 General Fund budget that increased the unrestricted fund deficit, and the General Fund has an unrestricted fund deficit as of December 31, 2007, both of which are prohibited by the Uniform Budgeting and Accounting Act (Public Act 2 of 1968, as amended by Public Act 621 of 1978).

Note 11 - Contract for Services

The Township currently has a contract with the City of Battle Creek for police services. The contract is effective through June 30, 2008. The Township is currently negotiating a new contract with the City of Battle Creek for the period of July 1, 2008 to June 30, 2009.

Under the provisions of the current contract, \$409,988 is due in 2008.

Costs incurred for the contract during 2007 totaled \$791,373.

Note 12 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for employees' medical benefits and participates in the Michigan Townships Participation Plan for claims relating to property loss, torts, errors and omissions, and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Townships Participation Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Note 13 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan provisions were established through a resolution by the board and may be amended by future board actions. Employees are eligible to participate from the date of employment and are fully vested after 20 months of service. As established by the Township board, the Township contributes 6 percent of employees' gross earnings and employees contribute 5 percent of earnings. The Township has elected to contribute the 5 percent employee contribution for elected officials. In accordance with these requirements, the Township contributed \$27,745.

Required Supplemental Information

Charter Township of Bedford, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Current levy:				
Police and fire	\$ 356,207	\$ 356,207	\$ 338,000	\$ (18,207)
Township	158,850	158,850	155,426	(3,424)
Street lighting	63,000	63,000	75,106	12,106
Fire	311,681	311,681	305,264	(6,417)
Total current levy	889,738	889,738	873,796	(15,942)
Tax administration fee	45,000	45,000	59,709	14,709
Total tax revenue	934,738	934,738	933,505	(1,233)
State-shared revenue	775,000	775,000	712,299	(62,701)
Licenses, fees, and permits:				
Trailer fees	6,700	6,700	1,389	(5,311)
Zoning fees	3,000	3,000	200	(2,800)
Liquor license fees	4,500	4,500	4,559	59
Mechanical permits	12,000	12,000	10,302	(1,698)
Building permits	27,000	27,000	27,245	245
Electrical permits	12,500	12,500	9,935	(2,565)
Plumbing permits	6,000	6,000	5,217	(783)
Cable franchise	40,000	40,000	36,082	(3,918)
Total licenses, fees, and permits	111,700	111,700	94,929	(16,771)
Charges for services	14,500	14,500	16,662	2,162
Interest earned	25,000	25,000	52,652	27,652
Miscellaneous	25,000	25,000	20,526	(4,474)
Total revenue	1,885,938	1,885,938	1,830,573	(55,365)
Contribution from Fund Balance	114,062	114,062	151,385	37,323
Total sources of funds	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 1,981,958</u>	<u>\$ (18,042)</u>

Charter Township of Bedford, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures				
General government:				
Township board:				
Salaries	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Employee benefits	9,800	10,400	9,242	1,158
Professional services	31,300	35,215	30,570	4,645
Insurance	18,816	28,816	27,450	1,366
Computer expense	5,000	19,000	18,566	434
Reserve fund	-	2,000	1,924	76
Debt service	311,681	197,581	194,067	3,514
Miscellaneous	2,000	2,000	250	1,750
Printing and publications	500	5,000	4,710	290
Total township board	391,097	312,012	298,779	13,233
Supervisor:				
Supervisor's salary	56,000	56,000	55,192	808
Other salaries	23,500	21,400	19,308	2,092
Miscellaneous	600	600	537	63
Employee benefits	33,700	40,800	41,217	(417)
Total supervisor	113,800	118,800	116,254	2,546
Elections:				
Salaries	12,000	6,500	6,221	279
Miscellaneous	7,000	12,500	11,175	1,325
Total elections	19,000	19,000	17,396	1,604
Clerk:				
Clerk's salary	53,000	53,000	51,273	1,727
Other salaries	300	300	200	100
Employee benefits	23,000	31,000	34,781	(3,781)
Miscellaneous	700	700	275	425
Total clerk	77,000	85,000	86,529	(1,529)
Board of Review:				
Salaries	2,500	2,500	2,310	190
Employee benefits	250	250	175	75
Total Board of Review	2,750	2,750	2,485	265
Treasurer:				
Treasurer's salary	53,000	53,000	51,820	1,180
Other salaries	200	8,000	7,930	70
Employee benefits	22,300	28,800	32,415	(3,615)
Miscellaneous	1,500	800	485	315
Dues and publications	5,000	5,800	5,772	28
Total treasurer	82,000	96,400	98,422	(2,022)

Charter Township of Bedford, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
General government (Continued):				
Parks:				
Repair and maintenance	\$ 3,600	\$ 3,600	\$ 2,810	790
Insurance	3,500	3,500	3,500	-
Miscellaneous	10,500	7,500	7,318	182
Total parks	17,600	14,600	13,628	972
Planning Commission:				
Salaries	2,000	2,000	840	1,160
Employee benefits	200	200	51	149
Total Planning Commission	2,200	2,200	891	1,309
Assessor:				
Salaries - Assessor	38,900	39,800	39,725	75
Other salaries	23,500	23,400	22,845	555
Employee benefits	28,280	27,480	29,835	(2,355)
Professional services	2,500	2,500	2,332	168
Vehicle	600	750	678	72
Printing and publishing	2,300	2,800	2,744	56
Miscellaneous	2,300	2,150	786	1,364
Total assessor	98,380	98,880	98,945	(65)
Street lighting	63,000	60,000	63,283	(3,283)
Building and grounds:				
Utilities	16,200	20,700	20,940	(240)
Repair and maintenance	6,500	8,000	6,899	1,101
Communications	7,800	11,100	11,039	61
Operating supplies	8,000	8,000	7,827	173
Postage	5,000	5,000	4,230	770
Insurance	8,000	8,000	8,000	-
Sanitation	3,500	2,500	5,290	(2,790)
Storage tank removal	10,000	48,000	40,002	7,998
Miscellaneous	7,500	3,700	3,163	537
Capital outlay	3,000	2,000	1,973	27
Total building and grounds	75,500	117,000	109,363	7,637

Charter Township of Bedford, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
General government (Continued):				
Cemetery:				
Salaries	\$ 43,000	\$ 43,000	\$ 40,672	\$ 2,328
Employee benefits	20,500	26,600	28,960	(2,360)
Repair and maintenance	4,000	5,000	4,438	562
Insurance	6,000	6,000	6,000	-
Miscellaneous	1,500	1,800	1,717	83
Capital outlay	2,000	600	-	600
Total cemetery	77,000	83,000	81,787	1,213
Total general government	1,019,327	1,009,642	987,762	21,880
Public safety:				
Police:				
Salaries	6,000	50	-	50
Employee benefits	13,000	19,950	22,728	(2,778)
Battle Creek police contract	736,200	736,200	791,373	(55,173)
Total police	755,200	756,200	814,101	(57,901)
Fire:				
Salaries	81,103	80,103	55,801	24,302
Employee benefits	3,500	4,500	4,434	66
Gas and oil	6,000	6,000	5,559	441
Communications	10,000	10,000	5,784	4,216
Insurance	27,500	35,800	35,099	701
Repair and maintenance	32,500	29,700	15,717	13,983
Miscellaneous	7,000	6,400	3,896	2,504
Replacement equipment	10,500	5,600	620	4,980
Total fire	178,103	178,103	126,910	51,193
Building department:				
Salaries	39,600	47,300	44,672	2,628
Employee benefits	4,370	5,255	5,018	237
Indirect costs	3,400	3,500	3,495	5
Total building department	47,370	56,055	53,185	2,870
Total public safety	980,673	990,358	994,196	(3,838)
Total expenditures	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 1,981,958</u>	<u>\$ 18,042</u>

Other Supplemental Information

Charter Township of Bedford, Michigan

Other Supplemental Information **Agency Funds - Combining Schedule of Assets and Liabilities** **Year Ended December 31, 2007**

	Tax Collection Fund	Trust and Agency Fund	Total
Assets - Cash and cash equivalents	<u>\$ 902,473</u>	<u>\$ 3</u>	<u>\$ 902,476</u>
Liabilities - Due to other governmental units	<u>\$ 902,473</u>	<u>\$ 3</u>	<u>\$ 902,476</u>

June 13, 2008

To the Board of Trustees
Charter Township of Bedford

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Charter Township of Bedford's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Charter Township of Bedford as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of Bedford's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Bedford's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

General Deposits and Taxes

During the audit, we found that the Township is not making timely deposits. During work performed to record accounts receivable at year end, we noted that there were no deposits made in February 2008. Even though deposits are generally not material, deposits should be made timely. We recommend making deposits daily or weekly to ensure cash balances are properly reflected at any given time during the year.

We also noted that there are no procedures in place to ensure taxes are remitted to taxing units timely or at correct amounts. We recommend that a review procedure be put in place to ensure that the proper amount of tax is being remitted to the proper taxing unit in a timely manner in accordance with state requirements.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

Property Tax Deposits

During the audit, we noted that the total deposits for property taxes received could not be reconciled to the postings within the property tax software and the corresponding tax receipts. The tax deposits are also not being posted timely to the property tax software, thus the unaudited general ledger did not reflect payments received prior to year end. We recommend reconciliations be performed between the tax postings, the checks received from residents, and the deposit amount recorded daily. We also recommend that tax receipts be posted daily into the property tax software as received.

Wire Transfers

We noted that the Township does not require an approval for wire transfers. The supervisor, clerk, and treasurer all have the ability to make wire transfers. The supervisor also makes manual journal entries. We recommend that a process be put in place that involves approval for any wire transfers, or inquire of the bank of alternative services available to increase controls.

Segregation of Duties

We noted that the supervisor has the ability to sign checks, receive cash, make bank deposits, post manual entries, and prepare bank reconciliations. In addition, the treasurer is responsible for receiving cash and making bank deposits. Ideally, some of the noted functions should be performed by separate employees, or another person should be documenting the approval or review of the work of others. In a small township, there may not be sufficient staff levels to properly segregate duties; however, we recommend that, where possible, additional controls or levels of review be instituted to improve controls. We understand the deputy treasurer is already reviewing the bank reconciliations; however, there is no documentation of this review. We recommend the deputy treasurer document the review of bank reconciliations and that manual journal entries be reviewed, also with appropriate documentation of the review.

Generally Accepted Accounting Principles (GAAP) Departure

As in previous years, management has not capitalized capital assets in the Sewer Fund acquired before January 1, 1990. This has been included in previous opinion letters as a GAAP departure. In order for the Sewer Fund balance sheet to be properly stated, all assets should be capitalized.

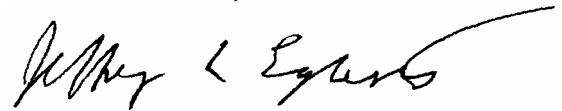
Audit Adjustments

During the audit process, several adjustments, including GASB 34 adjustments, were recommended to management and made to adjust various general ledger balances as of December 31, 2007. One adjustment was to record accounts receivable at year end, including state shared revenue. Accounts receivable are not recorded by the Township at year end. A second entry was made to record accounts payable at year end. The Township does not record accounts payable at year end. A third entry was made to record deferred revenue for property taxes levied in the winter 2007 tax levy, but not available for operations until 2008.

This communication is intended solely for the information and use of management, the board, and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



Jeffrey L. Egberts, CPA
Partner

June 13, 2008

To the Board of Trustees
Charter Township of Bedford

We have audited the financial statements of the Charter Township of Bedford for the year ended December 31, 2007 and have issued our report thereon dated June 13, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 13, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Charter Township of Bedford. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to Tom Sprau in our meeting about planning matters on March 25, 2008 and communicated to the board via letter dated April 24, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charter Township of Bedford are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007.

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management. One audit adjustment was made to record accounts receivable as of December 31, 2007, including state shared revenue of \$121,774. A second audit adjustment was to record accounts payable at December 31, 2007, including amounts due on the police contract, with the total accounts payable entry totaling \$458,304. A third audit adjustment was made to record the deferred revenue for the taxes levied in 2007, not to be used until 2008. In addition, several audit adjustments were made to the financial statements in order to complete the government-wide financial statements.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated June 13, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

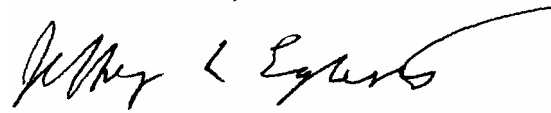
Other Audit Findings or Issues

In the normal course of our professional association with the Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Township's auditors.

This information is intended solely for the use of the board of trustees and management of the Charter Township of Bedford and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Jeffrey L. Egberts", with a long horizontal flourish extending to the right.

Jeffrey L. Egberts, CPA
Partner